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*Canada
Bread
Company,
Limited
Annual
Report*

for the fiscal year ended June 28, 1969





Canada Bread Company, Limited

DIRECTORS

D. E. BAWDEN NORMAN T. CURRIE J. D. LEITCH
G. M. MacLACHLAN W. T. MURCHIE R. K. PORTER C. E. SOWARD

CORPORATE MANAGEMENT

NORMAN T. CURRIE, President and General Manager
R. H. BONUS, Senior Vice-President
L. V. FAYLE, Vice-President—Marketing
F. BOGDEN, Vice-President—Sales
L. D. IRWIN, Vice-President—Finance and Secretary

H. K. BROWN, Controller
J. J. CLARK, Manager, Engineering Services
G. F. DEMPSEY, Manager, Data Processing
D. G. HICKINGBOTTOM, Manager, Area Operations
C. KORTSCHOT, Director of Product Development
W. J. LEWICKI, Manager, Production
D. J. LINEHAN, Manager, Distribution
A. K. MAHON, Manager, National Accounts
J. E. MARROTT, Director, Group Sales
H. J. SPARLING, Manager, Employee Relations
N. YURCHUK, Manager, Systems Development

AREA MANAGERS

C. J. WHITE, Toronto G. R. MOREAU, London G. L. PROWSE, Ottawa
A. McDOUGALL, Montreal W. J. HEMMINGS, Windsor K. L. DIEWOLD, Sudbury

PLANT MANAGERS

Toronto, Bloor Street, R. G. ROBINSON
Toronto, Bartley Drive, W. KOSTKA

AUDITORS

CLARKSON, GORDON & CO., Toronto

REGISTRARS AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY, Toronto, Montreal

MONTREAL TRUST COMPANY, Winnipeg

DEBENTURE TRUSTEE

CROWN TRUST COMPANY, TORONTO

DIRECTORS' ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 28, 1969.

TO OUR SHAREHOLDERS:

During the fiscal year which ended on June 28, 1969, the Company's operations again resulted in improvements in both profits and sales.

Net profit for the fifty-two week period amounted to \$887,955 or \$2.68 per common share compared with \$777,135 and \$2.32 per common share for the corresponding fifty-two week period last year.

Net sales totalled \$41,963,944 compared with \$40,432,043 for the previous year. This increase of 3.8 per cent in sales is particularly significant in view of the fact that during the year we discontinued certain unprofitable lines. Discontinuing these low volume or high cost lines enables us to direct our resources more effectively to the development of new products, the improvement of existing products and the achievement of a high degree of specialization within product categories.

We have also maintained, on schedule, our program of plant specialization and automation. This year, for example, our Bloor Street plant in Toronto was equipped with an automatic roll proofer system, which will make a substantial contribution to product quality and plant efficiency. In our variety products plant, also in Toronto, we have completed the installation of equipment to produce an especially promising new product line—a snack fruit pie.

Net proceeds of \$4,359,733 from an issue of \$4,500,000—8½ per cent sinking fund debenture, Series A, were responsible for an increase in our working capital from \$567,034 at the end of the previous fiscal year to \$3,368,142 at June 28, 1969.

Of the net proceeds from the issue, \$1,100,000 was used to retire bank loans; \$935,000 for fixed asset purchases and \$1,320,000 is held in short term notes receivable for plant and equipment expenditures. The balance is being held in short term investments for general corporate purposes.

Capital expenditures for bakery equipment, buildings and land amounted to \$1,165,650—approx-



mately the same as last year's outlay of \$1,086,587 and the previous year's \$1,047,995. We expect capital expenditures to continue at this level as we pursue our program of improving plant efficiency and investing in equipment for the production of new products.

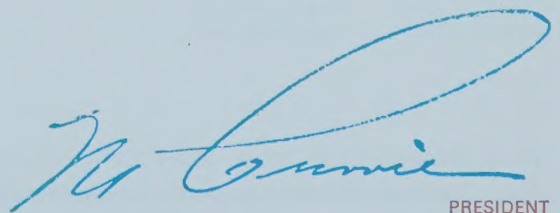
The Company has acquired an interest in Purity Bakeries Limited of Barbados, W.I. This is the largest bakery company on the island and it is currently building a new, modern plant. It has an excellent sales and profit record and represents a most attractive investment and opens interesting opportunities for expansion and diversification by your Company in that area.

At the Annual and Special General Meeting of Shareholders, you will be asked to approve a change of name from Canada Bread Company, Limited to Corporate Foods Limited. The name, Canada Bread, which is so well-known throughout our market area, will be retained, but as a division of Corporate Foods Limited. We are proposing the new name because we believe it is more appropriate for a company whose development and growth will encompass many areas of the food industry other than bread products.

The outlook for the current year is favorable. We believe that our expanded marketing activities, the introduction of new products and the continued improvement in efficiency of production and distribution will more than offset the effects of continued increased wage costs and of depressed selling prices for bread which prevail in most areas.

The success of your Company depends on the attitudes and the capabilities of management, employees and franchise dealers. We are fortunate to have, throughout our organization, the kind of people who take pride and satisfaction in doing their jobs well and in achieving a consistently high level of performance in all their undertakings. We thank them for their continuing support and achievements throughout the past year.

For the Board of Directors,



PRESIDENT

CONSOLIDATED BALANCE SHEET / CANADA BREAD COMPANY,

JUNE 28, 1969

(with comparative figures at June 29, 1968)

ASSETS

	1969	1968
Current:		
Cash - - - - -	\$ —	\$ 267,460
Accounts receivable - - - - -	3,164,932	2,560,989
Short term notes receivable - - - - -	1,994,000	—
Inventories of ingredients, finished products and supplies, valued at the lower of cost and market - - - - -	1,155,217	1,127,573
Prepaid expenses - - - - -	397,431	304,959
Total current assets - - - - -	6,711,580	4,260,981
Short term notes receivable held for plant and equipment expenditures - -	1,320,000	—
Investment in McGavin ToastMaster Limited (at cost):		
402,500 fully paid non-assessable non-voting Class A common shares without par value - - - - -	402,500	402,500
Fixed:		
Land—cost - - - - -	425,196	408,913
Buildings—cost - - - - -	3,775,501	3,871,482
Bakery and other equipment—cost - - - - -	13,777,219	12,621,455
	17,977,916	16,901,850
Less accumulated depreciation - - - - -	10,030,760	9,243,619
	7,947,156	7,658,231
Unamortized bond discount - - - - -	136,741	—
On behalf of the Board:		
NORMAN T. CURRIE, <i>Director</i>		
C. E. SOWARD, <i>Director</i>		
	<u>\$16,517,977</u>	<u>\$12,321,712</u>

(See accompanying notes to

To the Shareholders of Canada Bread Company, Limited:

AUDITOR

We have examined the consolidated balance sheet of Canada Bread Company, Limited and its subsidiary companies as at June 28, then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 28, 1969 with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada,
August 11, 1969.



LIMITED (INCORPORATED UNDER THE LAWS OF ONTARIO) AND ITS SUBSIDIARY COMPANIES

LIABILITIES

	1969	1968
Current:		
Bank indebtedness - - - - -	\$ 243,916	\$ 742,679
Accounts payable and accrued liabilities - - - - -	1,994,818	1,686,044
Payable to affiliated companies - - - - -	667,995	578,604
Estimated income taxes payable - - - - -	312,470	593,065
Dividends payable - - - - -	124,239	93,555
Total current liabilities - - - - -	3,343,438	3,693,947
7% bank loan payable- - - - -	—	800,000
8½% Sinking fund debentures, Series A due December 15, 1988 (note 2) -	4,500,000	—
Deferred income taxes - - - - -	1,664,000	1,456,000
Shareholders' equity:		
Capital (note 1)—		
Authorized:		
50,000 preference shares with a par value of \$49 each, issuable in series		
1,000,000 common shares of no par value		
Issued:		
25,000 \$2.75 cumulative preference shares, Series A, redeemable at \$52.75 per share - -	1,225,000	1,225,000
305,860 (1968—305,470) common shares - - - -	83,450	80,365
	1,308,450	1,305,365
Earned surplus - - - - -	5,702,089	5,066,400
	7,010,539	6,371,765
	<u>\$16,517,977</u>	<u>\$12,321,712</u>

(Audited financial statements)

REPORT

and the consolidated statements of profit and loss and earned surplus and source and application of funds for the fifty-two week period supporting evidence as we considered necessary in the circumstances.

the results of their operations and the source and application of their funds for the fifty-two week period then ended, in accordance

CLARKSON, GORDON & CO.
Chartered Accountants

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FIFTY-TWO WEEK PERIOD ENDED JUNE 28, 1969

(with comparative figures for the fifty-two week period ended June 29, 1968)

	1969	1968
Sales - - - - -	\$41,963,944	\$40,432,043
Cost of sales, selling and administrative expenses exclusive of the items listed below - - - - -	38,717,358	37,387,142
Depreciation - - - - -	943,614	904,933
Contribution to employees' pension plans - - - - -	223,166	214,903
Interest on funded debt - - - - -	198,771	15,271
Interest on bank loans and deferred liabilities - - - - -	64,419	150,926
Remuneration of directors and senior officers - - - - -	160,135	144,733
Amortization of bond discount - - - - -	3,526	—
	<u>40,310,989</u>	<u>38,817,908</u>
Profit for period before income taxes - - - - -	1,652,955	1,614,135
Income taxes		
Current year - - - - -	866,000	894,000
Loss carry over benefit - - - - -	(101,000)	(57,000)
	<u>765,000</u>	<u>837,000</u>
Net profit for period - - - - -	887,955	777,135
Earned Surplus, beginning of period - - - - -	5,066,400	4,510,750
	<u>5,954,355</u>	<u>5,287,885</u>
Deduct:		
Dividends—		
On \$2.75 Series A preference shares - - - - -	68,750	68,750
On common shares (1969—60¢ per share; 1968—50¢ per share) - - - - -	183,516	152,735
	<u>252,266</u>	<u>221,485</u>
Earned surplus, end of period - - - - -	<u>\$ 5,702,089</u>	<u>\$ 5,066,400</u>

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES



CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FIFTY-TWO WEEK PERIOD ENDED JUNE 28, 1969

(with comparative figures for the fifty-two week period ended June 29, 1968)

	1969	1968
Funds provided:		
Net profit for period - - - - -	\$ 887,955	\$ 777,135
Depreciation charged to operations - - - - -	943,614	904,933
Amortization of bond discount - - - - -	3,526	—
Deferred income taxes - - - - -	208,000	—
Book value of fixed asset disposals - - - - -	174,956	199,452
Issue of share capital - - - - -	3,085	1,975
Net proceeds from debenture issue - - - - -	4,359,733	—
	<u>6,580,869</u>	<u>1,883,495</u>
Funds expended:		
Fixed asset expenditures—		
Land, buildings and bakery equipment - - - - -	1,165,650	1,086,587
Distribution equipment - - - - -	241,845	137,200
Reduction in deferred liabilities - - - - -	800,000	400,000
Dividends to shareholders - - - - -	252,266	221,485
Reduction in deferred income taxes - - - - -	—	4,000
Short term notes receivable held for plant and equipment additions -	1,320,000	—
	<u>3,779,761</u>	<u>1,849,272</u>
Increase in working capital - - - - -	<u>\$2,801,108</u>	<u>\$ 34,223</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 28, 1969

Note 1. During the year options for the purchase of common shares, granted in previous years, were exercised for 200 common shares at \$5.00 per share, 110 common shares at \$9.50 per share and 80 common shares at \$13.00 per share. At June 28, 1969 common share purchase options were outstanding for 950 shares at \$5.00 each, 5,910 shares at \$9.50 each, 1,320 shares at \$13.00 each and 7,700 shares at \$24.50 each, the latter option having been granted during the year.

These options which expire ten years after the granting thereof are exercisable each year to the extent of 10% of the total number of shares covered by the option and contain provisions for termination on cessation of employment.

Note 2. Sinking fund instalments commence December 15, 1971 and continue annually to December 15, 1987 in amounts ranging from \$89,000 to \$329,000.

Note 3. The companies lease certain properties for annual rentals aggregating \$81,000 under long term leases extending to various dates from 1981 to 2001.

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

FIVE YEAR COMPARISON

	1969	1968	1967	1966	1965
Operating Profit					
before the following - - - -	\$3,082,925	\$2,900,168	\$2,360,708	\$2,526,650	\$2,494,104
Depreciation - - - - -	943,614	904,933	815,853	758,698	748,266
Contribution to employees' pension plans - - - - -	223,166	214,903	215,564	137,293	62,906
Interest on bank loans and long-term debt - - - - -	263,190	166,197	129,962	136,388	147,491
Income taxes - - - - -	765,000	837,000	686,500	820,000	880,000
Net Profit - - - - -	887,955	777,135	512,829	674,271	655,441
Number of Common Shares Outstanding - - -	305,860	305,470	305,075	301,170	300,535
Earnings per Common Share -	2.68	2.32	1.46	2.01	1.95
Dividends declared per Common Share - - - -	.60	.50	.45	.40	.40

